

Available online at www.sciencedirect.com**ScienceDirect**

Procedia - Social and Behavioral Sciences 156 (2014) 268 – 273

Procedia
Social and Behavioral Sciences

19th International Scientific Conference; Economics and Management 2014, ICEM 2014, 23-25
April 2014, Riga, Latvia

The identification of the impact of bidirectional self-employment factors on self-employment start-up and duration: Latvian case

Rita Remeikienė^{a*}, Grazina Startienė^b, Alina Stundžienė^c

^{a, b, c} Kaunas University of Technology, K. Donelaičio g. 73, LT-44029 Kaunas, Lithuania

Abstract

The aim of the article is to identify the impact of bidirectional factors on self-employment start-up and duration in Latvia applying the method of expert evaluation. The results have revealed that, from different factor groups, positive impact on self-employment in Latvia is made by financial business support measures (a political factor), good individual financial position, i.e. obtained/inherited assets (an economic factor), and education (a demographical factor). The biggest negative impact on self-employment is made by too strict labour market regulation and financial restrictions.

© 2014 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/3.0/>).

Peer-review under responsibility of the Kaunas University of Technology.

Keywords: Self-employment; bidirectional self-employment factors; self-employment start-up and duration; Latvia.

1. Introduction

Relevance of the topic. According to the data of the European Commission (2013), the majority of small and medium enterprises have not returned to the pre-crisis level of 2007 in number of enterprises, so one of the priorities promoting the volumes of entrepreneurship highlighted in “Entrepreneurship 2020 Action plan” is creating the right business environment in EU. Although entrepreneurship and self-employment are one of the key enablers of smart, sustainable and inclusive growth (European Commission, 2012), why do so few Europeans set up their own business and why are so few European businesses growing? The survey carried out by European Commission (2012) revealed 58 per cent of the respondents in the EU would rather choose a hired work while only 37 per cent of the respondents

* Corresponding author. Tel.: +37061624114.

E-mail address: rita.remeikiene@ktu.lt

would rather become self-employed; the respondents in 18 out of 27 countries would continue doing a hired work. Although entrepreneurship is promoted applying different financial and non-financial measures, the results of the survey showed that self-employment is not a very attractive occupation among the Europeans. Creation of the conditions favourable for self-employment start-up and development still remains one of the main problems seeking for employment increase.

In order to answer the topical questions, the research (Remeikienė, Startienė, 2013a, 2013b) was carried out. It revealed that self-employment start-up and duration in the countries with transition economies are influenced by microenvironmental and macroenvironmental factors. The research of the microenvironment includes personal motives and the decision to become self-employed. The decision of self-employment is usually researched focusing on the personal factors such as psychological features, education, previous work experience, marital status, age and gender, i.e. these factors are classified into demographical and social psychological. The analysis of macroenvironment includes such factor groups as economic environment, cultural, institutional environment, geographical and technological factors.

Identification of the impact of bidirectional self-employment factors in Latvia would enable to establish the impact of these factors on self-employment process and compare the results of the previous research on the impact of bidirectional self-employment factors in Lithuania which is similar to Latvia by both economic and cultural characteristics. Identification of the direction of a factor is a significant task that enables to select appropriate measures for the mitigation / strengthening of negative / positive impact of the factor on self-employment process.

Scientific problem research level. Systematized results of the scientific research carried out by other authors showed that the impact of the factor groups mentioned above can be bidirectional, i.e. both positive and negative. The impact of demographical factors on self-employment was researched by such scientists as Dabic, et. al. (2012); Andersson (2011); Ndedi (2013); Lewis, Walker (2013); Humbert, Drew (2010); Taatila (2010). The impact of the factors that belong to the economic factor group was studied by Kautonen, et. al. (2010); Hafer (2013). Political factors of self-employment were researched by Petterson (2012); Lockyer, George (2012); Ntayi, et. al. (2013).

Scientific problem – how do the factors of self-employment influence self-employment start-up and duration?

The aim of the research is to identify the impact of bidirectional self-employment factors on self-employment start-up and duration in Latvian context.

To fulfil the aim of the research, the following objectives have been raised:

- to identify bidirectional factors of self-employment start-up and duration;
- to present the methodology of the research;
- with reference to the results of the research carried out applying the method of expert evaluation, to

identify the impact of bidirectional self-employment factors on the process of self-employment in Latvia.

In the first section of the article, the factors that have a bidirectional effect on the process of self-employment have been identified by the microenvironmental and macroenvironmental factor groups. In the second section of the article, the methodology of the research has been substantiated. In the third section, the results of the research have been presented. The article has been finished with the discussion. Here introduce the paper, and put a nomenclature if necessary, in a box with the same font size as the rest of the paper. The paragraphs continue from here and are only separated by headings, subheadings, images and formulae. The section headings are arranged by numbers, bold and 10 pt. Here follows further instructions for authors.

2. Identification of bidirectional factors on self-employment start-up and duration

In the Entrepreneurship Action plan 2020 European Commission (2013) states that „Since 2008 Europe has been suffering the effects of the most severe economic crisis it has seen in 50 years: for the first time in Europe there are over 25 million unemployed and in the majority of Member States small and medium- sized enterprises (SMEs) have not yet been able to bounce back to their pre-crisis levels” (p. 3).

Created model of bidirectional self-employment factors (see Fig. 1) integrates the whole self-employment process: self-employment start-up and duration. The model includes three main groups of bidirectional factors that are attributed to the stages of self-employment start-up and duration, i.e. different factors that have a two-sided effect on the process of self-employment.

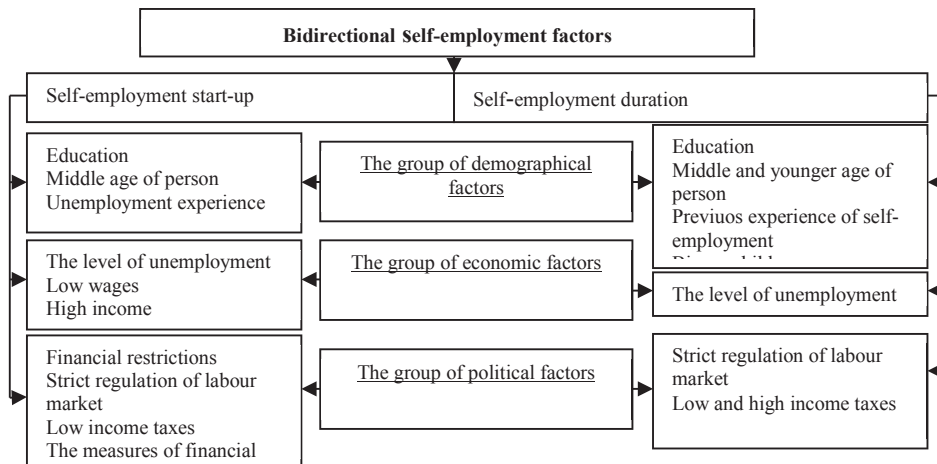


Fig. 1. Bidirectional self-employment factors (source: prepared by the authors)

After the establishment of bidirectional factors of self-employment start-up and duration (Remeikienė, Startienė, 2013a, 2013 b; Startienė, Remeikienė, 2009; Remeikienė, Startienė, 2011; Remeikienė, et. al., 2011, Tervo, Haapanen, 2009; Wennekers, et. al., 2002; Goey, 2004) the following hypotheses have been formulated.

From the group of demographical factors:

1st hypothesis: Education has positive impact on self-employment increase.

2st hypothesis: Education helps to perform self-employment activities longer.

3st hypothesis: Middle age of a person (from 25 to 49) positively contributes to both self-employment start-up and development.

4st hypothesis: Unemployment experience acts as the factor impeding self-employment start-up.

5st hypothesis: Previous experience of self-employment contributes to more successful and secure development of self-employment activities.

6st hypothesis: Bigger children is the factor contributing to self-employment development.

7st hypothesis: Immigrants, national minorities or the people of other races more often stop self-employment due to the lack of language skills, insufficient knowledge of local traditions, business or legislative framework in comparison to the local self-employed.

8st hypothesis: Younger age (15–24 years) acts as a barrier for self-employment development (lack of experience, inability to manage financial resources rationally, inadequate perception of business environment, etc.).

From the group of economic factors:

9st hypothesis: Unemployment motivates to choose self-employment.

10st hypothesis: Unemployment shortens the duration of the activities of currently working self-employed.

11st hypothesis: Individuals who received low wages in the employed work are more inclined to become self-employed.

12st hypothesis: High income from employed work guarantees easier access to financial capital necessary for self-employment.

13st hypothesis: Wealthy people choose to invest their properties in the companies earning secured profit rather than start-up self-employment.

From the group of political factors:

14st hypothesis: Financial restrictions (unfavourable credit policies, high interest rates, lack of savings, etc.) unambiguously discourage people from choosing self-employment.

15st hypothesis: Strict regulation of the labour market is one of the main barriers starting-up and developing self-employment in transition economies.

16st hypothesis: Low income taxes encourage self-employment start-up and duration, while high taxes reduce the ranks of the self-employed.

17st hypothesis: The measures of financial support (tax exemptions, credit guarantees, subsidized loans, partial interest coverage, etc.) positively contribute to self-employment increase.

18st hypothesis: Non-financial measures of business support (consultations, training, refresher courses, provision of information, etc.) positively contribute to self-employment increase.

3. Method

For the establishment of the impact of bidirectional self-employment factors, the method of expert evaluation has been selected due to the lack of the data on political and psychological social group factors. The research was carried out in the following stages: 1) translation of the questionnaire to Latvian (the questionnaire used for the research of self-employment in Lithuania was applied); 2) selection of the experts; 3) experts' survey using the tools of e-questionnaire and an interview; 4) data processing with SSPS software package; 5) interpretation of the answers and making conclusions. The businessmen with business experience not shorter than five years and the members of the board of Latvian Chamber of Commerce and Industry who know Latvian business environment peculiarities well were selected as experts. Total number of the experts made 7 people. With reference to Augustinaitis et. al. (2009), in order to retain reliability and accuracy of the research, it is recommended to include not fewer than five experts.

With reference to the hypothesis which were formulated in the theoretical part of the research, the experts had to evaluate the statements by Likert scale where 1 point means that they completely disagree with a statement, so the factor has the minimal impact on self-employment, 5 – they completely agree with a statement, so the factor has the strongest impact on self-employment. The survey was carried out from November 25 to December 19, 2013.

4. Results

Cronbach's alpha coefficient ($\alpha = 0.764$) calculated with reference to the results of the expert evaluation showed that the questions formulated in the questionnaire adequately reflect the target size. Kendall's coefficient of concordance ($W_a = 0.441$) shows that opinions of the experts are slightly different on particular issues. Experts' answers are statistically reliable because value p is lower than 0.05 ($p < 0.000$). A hypothesis is considered to be confirmed when its average value is equal or higher than 3.5 points; a hypothesis is considered to be rejected when its average value is lower than 3.5 points (see Table 1).

Table 1. Results of empirical research

The group of factors	Hypothesis	Mean value	Mean rank	Hypothesis (non) confirmation
Demographical factors	Education has positive impact on self-employment increase.	4.20	6.10	Confirmed
	Education helps to perform self-employment activities longer.	3.80	5.30	Confirmed
	Middle age of a person (from 25 to 49) positively contributes to both self-employment start-up and development.	3.80	5.00	Confirmed
	Unemployment experience acts as the factor impeding self-employment start-up.	2.80	2.90	Not confirmed
	Previous experience of self-employment contributes to more successful and secure development of self-employment activities.	4.20	5.90	Confirmed
	Bigger children is the factor contributing to self-employment development.	3.20	3.50	Not confirmed
	Immigrants, national minorities or the people of other races more often stop self-employment due to the lack of language skills, insufficient knowledge of local traditions, business or legislative framework in comparison to the local self-employed.	3.40	4.10	Not confirmed
	Younger age (15–24 years) acts as a barrier for self-employment development (lack of experience, inability to manage financial resources rationally, inadequate perception of business environment, etc.).	3.00	3.20	Not confirmed
Economic	Unemployment motivates to choose self-employment.	3.60	3.30	Confirmed

factors	Unemployment shortens the duration of the activities of currently working self-employed.	3.00	2.30	Not confirmed
	Wealthy people choose to invest their properties in the companies earning secured profit rather than start-up self-employment.	4.00	3.90	Confirmed
	Individuals who received low wages in the employed work are more inclined to become self-employed.	2.80	2.20	Not confirmed
	High income from employed work guarantees easier access to financial capital necessary for self-employment.	3.80	3.30	Confirmed
Politics factors	Financial restrictions (unfavourable credit policies, high interest rates, lack of savings, etc.) unambiguously discourage people from choosing self-employment.	4.40	3.80	Confirmed
	Low income taxes encourage self-employment start-up and duration, while high taxes reduce the ranks of the self-employed.	4.40	3.10	Confirmed
	Strict regulation of the labour market is one of the main barriers starting-up and developing self-employment in transition economies.	4.00	3.80	Confirmed
	The measures of financial support (tax exemptions, credit guarantees, subsidized loans, partial interest coverage, etc.) positively contribute to self-employment increase.	4.60	4.30	Confirmed
	Non-financial measures of business support (consultations, training, refresher courses, provision of information, etc.) positively contribute to self-employment increase.	3.80	3.40	Confirmed

The results of the empirical research lead to the following conclusions:

- The group of demographical factors. Education positively influences all process of self-employment, though more important impact, according to the experts, is made at the start-up. Younger and medium age of a person is not considered to be an obstacle to start-up and develop self-employment because, according to the experts, business success can be achieved by people of any age on condition that a person believes in his abilities to achieve a desired result. Majority of the experts pointed that previous experience in business can help a person to develop his business more successfully, escaping past mistakes and using the acquired knowledge on the market, suppliers, and competitors. Unemployment experience is not considered to be an obstacle for self-employment start-up since it can become a “push” factor to self-employment when work positions are often changed. Grown up children, in the opinion of the experts, do not contribute to self-employment development because not all parents seek to involve their children in an active business while immigrants, national minorities or the people of other races can develop their business and successfully compete in the market place equally to local people.

- The group of economic factors. From the group of economic factors, high wages which are treated as an easier available business funding source and unemployment rate under the conditions of limited supply of workplaces are considered to be the factors that have the biggest impact on self-employment start-up and so promote it. The research revealed such negative self-employment start-up factors as low wages and accumulated / inherited personal assets while self-employment duration is negatively influenced by high unemployment level in the country which causes smaller number of orders, delays of settlement with suppliers and the lost market share.

- The group of political factors. In this factor group, all raised hypotheses were confirmed. According to the experts, the most important factors of political environment that have a positive impact on self-employment level in the country are financial business support measures and low income taxes. Self-employment is negatively influenced by labour market regulation and financial restrictions. Non-financial business support positively influences self-employment level in Latvia, though the impact is less significant in comparison to the impact of financial business support measures. Acknowledgements Acknowledgements and Reference heading should be left justified, bold, with the first letter capitalized but have no numbers. Text below continues as normal.

5. Discussion

The research of bidirectional self-employment factors in Latvia enabled to identify the impact of the established factors on self-employment processes. In order to improve business environment conditions in Latvia, it is recommended to consider the results of the expert evaluation which show that political environment of self-employment has the biggest impact on a person who is planning to start-up self-employment and create a workplace

not only for himself, but also exploit opportunities to develop his business in both local and international markets. The supply of financial and non-financial business support measures as well as low level of income taxes are a big incentive for a self-employment starter to begin and develop his activities. From the group of economic factors, the factors that motivate self-employment start-up are high income from hired work and obtained asset which also helps to get easier access to business funds. Unemployment level and low wages, according to the experts, are good motives for self-employment start-up, so these factors “push” a person towards self-employment. Education, different age intervals, people with unemployment experience and immigrants, in the opinion of the experts, can successfully and confidently be engaged in self-employment activities. The biggest obstacles in business environment are too strict labour market regulations and financial restrictions for the one who is considering self-employment start-up. That is why, the negative impact of the factors explicated above should be considered while seeking for self-employment level increase in Latvia.

References

- Augustinaitis, A., Rudzkiene, V., Petrauskas, R., A., Dagytė, I., Martinaitytė, E., Leichteris, E., Malinauskienė, E., Visnevskaya, V., Žilionienė, I. (2009). *Lietuvos e. valdžios gairės: ateities įvairių tyrimas*. Vilnius: Mykolas Romeris Universitetas.
- Andersson, L. (2011). Occupational choice and returns to self employment among immigrants. *International Journal of Manpower*, 32, 900-922.
- Dabic, M., Daim, T., Bayraktaroglu, E., Novak, I., Basic, M. (2012). Exploring gender differences in attitudes of university students towards entrepreneurship: An international survey. *International Journal of Gender and Entrepreneurship*, 4 (3), 316 – 336.
- European Commission (2012). Entrepreneurship in the EU and beyond. *Flash Eurobarometer report 354*. Available at: http://ec.europa.eu/public_opinion/flash/fl_354_en.pdf
- European Commission (2013). Entrepreneurship 2020 Action Plan. Reigniting the entrepreneurial spirit in Europe. Available at: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2012:0795:FIN:en:PDF>
- Goey, F. (2004). Economic structure and self-employment during the twentieth century, in *Paper 8th EBHA conference*, 16-18 September, Barcelona, Spain.
- Hafer, R. W. (2013). Entrepreneurship and state economic growth. *Journal of Entrepreneurship and Public Policy*, 2, 67 - 79.
- Humbert, A. L., Drew, E. (2010). Gender, entrepreneurship and motivational factors in an Irish context. *International Journal of Gender and Entrepreneurship*, 2, 173 – 196.
- Kautonen, T., Down, S., Welter, F., Vainio, P., Palmroos, J., Althoff, K., Kolb, S. (2010). Involuntary self-employment as a public policy issue: a cross-country European review. *International Journal of Entrepreneurial Behaviour & Research*, 16, 112-129.
- Lewis, K. V., Walker, E. A. (2013). Third age self-employment: a business assistance perspective. *Journal of Small Business and Enterprise Development*, 20, 399-419.
- Lockyer, J. George, Sh. (2012). What women want: barriers to female entrepreneurship in the West Midlands. *International Journal of Gender and Entrepreneurship*, 4, 179 - 195.
- Ndedi, A. A. (2013). Challenges and perspectives facing the development of entrepreneurship education and training in South Africa. *World Journal of Entrepreneurship, Management and Sustainable Development*, 9, 126 – 132.
- Ntayi, J. M., Mutebi, H., Kamanyi, S., Byangwa, K. (2013). Institutional framing for entrepreneurship in sub-Saharan Africa: a case of Uganda. *World Journal of Entrepreneurship, Management and Sustainable Development*, 9, 133 – 154.
- Pettersson, K. (2012). Support for women's entrepreneurship: a Nordic spectrum. *International Journal of Gender and Entrepreneurship*, 4, 4-19.
- Remeikienė, R.; Startienė, G. (2011). The institutional environment factors of self-employment in transition economies: the case of Lithuania. *Changes in social and business environment. Proceedings of the 4th International Conference*, 186–194.
- Remeikienė, R.; Startienė, G.; Vasauskaitė, J. (2011). The influence of psychological-sociological factors on self-employment. *Economics & Management*, 287–294.
- Startienė, G.; Remeikienė, R. (2009). The influence of demographical factors on the interaction between entrepreneurship and unemployment. *Inžinerinė Ekonomika – Engineering Economics*, 4, 60–70.
- Wennekers, A. R. M.; Uhlaner, L. M.; Thurik, R. (2002). Entrepreneurship and its conditions: a macro perspective. *International Journal of Entrepreneurship Education*, 1, 25–64.
- Startienė, G., Remeikienė, R. (2013 a). Evaluation of the impact of self-employment factors on self-employment duration in the country with transition economy: a Lithuanian case. *Technological and economic development of economy*, 19, 125-140.
- Startienė, G., Remeikienė, R. (2013 b). The structure of the model of self-employment factors in the country with transition economy: Lithuanian case. *Transformations in Business & Economics* 12, 184-195.
- Tautila, V. P. (2010). Learning entrepreneurship in higher education. *Education+Training*, 52, 48-61.
- Tervo, H.; Haapanen, M. (2009). Self-employment duration in urban and rural location. *Applied Economics*, 41, 2449-2461